environmental defence

# Comments on draft terms of reference for conducting a strategic assessment of thermal coal mining

Submitted to Environment and Climate Change Canada

August 2020

Prepared by:
Julia Levin
Climate & Energy Program Manager
Environmental Defence Canada

**About Environmental Defence Canada**
Environmental Defence is a leading Canadian advocacy organization that works with government, industry and individuals to defend clean water, a safe climate and healthy communities.

## Summary of Recommendations:

- EDC is pleased to see that the terms of reference scope include downstream emissions and health considerations. To be robust, it is critical that the strategic assessment of thermal coal consider all lifecycle and lifespan effects, including greenhouse gas emissions, of the mining, export and end use of thermal coal, including emissions resulting from burning coal in importing countries. The inclusion of downstream effects must remain the scope of the final terms of reference.
- The scope of the terms of reference should include market analysis of projected demand for thermal coal - but this must be Paris-compliant analysis. Consideration of projections of future domestic and global demand for thermal coal mined in Canada should be limited to analysis that is consistent with global decarbonization and meeting the ultimate objective of the Paris Agreement to limit warming to 1.5 degrees Celsius.
- The focus of the SA should not be limited to just new thermal coal mine projects, but include expansions of existing thermal coal mines as well.
- The outcome of the SA of thermal coal, in addition to informing impact assessments, should also guide relevant policy considerations surrounding thermal coal in Canada, including the export of domestic and thermal coal through Canadian ports. To ensure the full value of this SA is obtained, the application should extend beyond IAs of designated projects.
- The assessment should be conducted by an independent panel of credible experts, including Indigenous representatives, and be tasked with meaningfully engaging the public and Indigenous Peoples throughout.
- Make explicit that the strategic assessment of thermal coal will apply to the impact assessment of Coalspur's Vista mine.

## Rationale:

Environmental Defence Canada (EDC) has participated actively in the federal environmental law reform process to ensure that Canada's impact assessment processes align with the country's domestic and international climate targets under the Paris Agreement. We are pleased that as presented in the draft terms of reference (ToR), the proposed approach for the strategic assessment (SA) if thermal coal aligns with Canada's climate commitments and commitment to powering past coal.

The IPCC has warned us that we have less than ten years to drastically reduce our emissions to avoid the most catastrophic climate breakdown, and we know that Canada is warming at twice the global rate. Power from coal plants is the dirtiest electricity we can produce — with huge impacts on human health and the climate. Phasing out traditional coal power is a critical step governments must take to tackle climate change.

By signing the Paris Agreement, Canada made a commitment to do its fair share "to limit global average temperature rise to well below 2 degrees Celsius (2°C) above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C." In addition, Canada has shown global leadership

by launching the Powering Past Coal Alliance in 2017 - an international initiative to end the use of coal-fired power plants.

In addition to Canada's commitment to phasing out existing coal power at home, we have committed to support a global transition away from coal as a source of power. It is critical that we ensure consistency between the country's domestic approach to eliminating coal powered electricity generation and our approach to thermal coal supply on world markets.

At present the world is not tracking towards a Paris Agreement compatible phase-out of coal.[1] In order to align with the targets set out by the Paris Agreement, global coal use for power generation needs to peak this year (2020), be reduced to 80% below 2010 levels by 2030 and phased out before 2040.[2] This leaves no room for countries like Canada to increase their supply of thermal coal - we must move in the opposite direction.

**Examining downstream emissions and health considerations**

EDC is pleased that the scope of the ToR includes environmental and health impacts of both mining for thermal coal as well as end use of coal in relation to Canada's domestic and international commitments and initiatives, including the Powering Past Coal Alliance. Consideration of these impacts, and in particular the greenhouse gas emissions from the combustion of exported coal, is essential to a strategic assessment of thermal coal mining. It is critical that this language remain as is in the final ToR.

There will certainly be pressure on the federal government to remove or water down this language. Failure to assess such impacts would undermine the success of this strategic assessment and be contrary to the purposes of the IAA. To be considered a robust SA, it is critical that all lifecycle and lifespan effects, including greenhouse gas emissions, of the mining, export and end use of thermal coal, including emissions resulting from burning coal in importing countries, be considered. If Canada is serious about meeting its domestic and international commitments and doing its fair share to achieve the Paris agreement and the Powering Past Coal Alliance, then it must acknowledge the lifecycle emissions of energy and industrial projects that operate within Canada.

Research shows that the total amount of emissions from Canada's exports of fossil fuels is greater than all GHG emissions that occur within Canada.[3] In 2018, combustion emissions from the use of coal from British Columbia alone in overseas markets, for example, equaled approximately 68 Mt of CO2.[4] For a wealthy nation like Canada to produce and export that

---

[1] https://climateanalytics.org/media/report_coal_phase_out_2019.pdf
[2] https://climateanalytics.org/media/report_coal_phase_out_2019.pdf
[3] https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office%2C%20BC%20Office/2017/01/ccpa_extracted_carbon_web.pdf
[4] https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2020/03/ccpa-bc_Winding-Down-BCs-Fossil-Fuel-Industries.pdf

volume of fossil fuels without considering their downstream impacts is not consistent with Canada doing its “fair share” to achieve the Paris Agreement.

Similarly, Canada has a moral obligation to analyze the health impacts of exporting thermal coal. The health effects of air pollution from burning coal, including respiratory diseases and premature deaths, impose massive costs in both human and economic terms. Coal is a major – and is often the leading – contributor to air pollution. Recent analysis has found that coal burning is responsible for more than 800,000 premature deaths per year globally and many millions of cases of serious and minor illness.[5]

**Paris compliant supply and demand market analysis**

The scope of the ToR should make clear that only market analysis of projected demand for thermal coal that is consistent with global decarbonization and achieving the ultimate goal of the Paris Agreement will be considered. Of particular concern are scenarios that assume growth in coal demand that would see the Paris Agreement fail and allow for global temperatures to rise far above the 1.5°C or 2°C target. By using non-Paris compliant analysis, Canada further exposes itself to the risk of its coal operations becoming stranded assets - i.e. non-performing assets that rapidly lose value or become liabilities.[6]

The peak and decline of global thermal coal is approaching faster than previously shown: coal demand could go into reverse before 2025.[7] Around the world, countries are implementing policies, in response to the issues of air pollution, health and climate, to limit their use and import of thermal coal. Renewable energy is taking an increasing share of the energy mix. The number of new coal power plants in the planning pipeline shrank by nearly 75% globally between 2015 and 2019. Coal demand in China is forecasted to decline from the early 2020s, as result of saturated heavy industry growth, the country’s clean air measures and commitment to investments in renewables.[8] Indian demand will not replace this decline.[9] These trends, which are expected to continue in the future, unless global coal production is reduced substantially, are showing an oversupply of production leading to a crash in international thermal coal prices.[10]

In addition, investors are increasingly turning away from thermal coal to reduce their exposure to assets at risk of stranding. As of 2019, over 100 significant financial institutions (with assets under management or loans outstanding above US$10 billion), have created or strengthened

[5] https://www.climate-transparency.org/wp-content/uploads/2019/05/Managing-the-phase-out-of-coal-DIGITAL.pdf
[6] https://www.climate-transparency.org/wp-content/uploads/2019/05/Managing-the-phase-out-of-coal-DIGITAL.pdf
[7] https://www.iddri.org/en/about-iddri/press-releases/fair-and-affordable-pathways-away-coal-exist-major-coal-using-economies
[8] https://www.climate-transparency.org/wp-content/uploads/2019/05/Managing-the-phase-out-of-coal-DIGITAL.pdf
[9] https://coaltransitions.files.wordpress.com/2018/09/coaltransitions_finalreport_coal-global-trade_20182.pdf
[10] https://climateanalytics.org/media/report_coal_phase_out_2019.pdf

their policies to divest from, ban, or restrict financing of thermal coal.[11] This number has risen over the past year.

The federal government would be doing a disservice to Canadians by failing to incorporate global coal supply and demand scenarios in line with the Paris agreement in its studies of energy markets, and using these scenarios as the basis for decisions about domestic coal development.

**Ensuring that considerations include expansion of existing thermal coal mines, not just new mines**

The current language in the draft ToR objectives appears to limit allocation of the SA to new thermal coal mine projects.

This would greatly reduce the effectiveness of the SA, since the majority of proposed new projects are likely to be expansions and not new mines.

Though likely an oversight, since the definition of a designated project in the *Impact Assessment Act* includes expansions, this should be made clear throughout the final ToR.

**Beyond IAs, role of SA in guiding relevant policy considerations surrounding thermal coal in Canada**

The outcome of the SA of thermal coal, in addition to informing impact assessments, should also guide relevant policy considerations surrounding thermal coal in Canada, including the export of domestic and international thermal coal through Canadian ports. Approximately 11-13 million tonnes of predominantly American thermal coal are exported through the Port of Vancouver every year.[12] Canada exports so much American coal due to stricter environmental regulations in U.S. coastal states (Washington, Oregon and California), which have led them to decline approvals to ship coal.[13] The fact that coal exporters may see Canada as an export haven for U.S. thermal coal is a serious issue relating to thermal coal mining in Canada that the strategic assessment should consider, particularly given Canada's role in leading the Powering Past Coal Alliance.

This broader application would ensure more value is obtained from the SA, allowing it to lay the groundwork for informed and farsighted policy making. This is especially important considering that most thermal coal is exported through existing coal port capacity and won't need to undergo an IA.

---

[11] https://energypost.eu/ieefa-ieas-sustainable-development-scenario-is-not-enough/

[12] https://www.portvancouver.com/wp-content/uploads/2020/03/Statistics-overview-2017-to-2019.pdf

[13] https://www.reuters.com/article/us-usa-coal-exports/coal-firms-plead-to-courts-trump-for-west-coast-export-terminals-idUSKBN1FJ0KB

We are concerned that the current TORs do not reflect that given that they appear to be limited to “guid(ing) decision-makers on how new thermal coal mine projects will be considered under the Impact Assessment Act”. One way to address this would be to move language currently in the context section to the objective section and remove the word mining so that the critical issue of exporting thermal coal can also be considered: “Canada is launching a strategic assessment under the Impact Assessment Act to solicit feedback on relevant policy considerations related to thermal coal ~~mining~~ and to consider the future of new thermal coal mine projects in Canada under federal review.”

**Assessment conducted by independent expert panel**

EDC is concerned that the committee being struck to conduct this assessment is actually an interdepartmental task team, rather than an independent expert panel. This is unfortunately what happened in the development of the strategic assessment of climate change, where the final outcome was very disappointing. We are quite concerned with the precedence being set by the strategic assessment of climate change and now again with this SA.

The assessment should be conducted by an independent panel of credible experts, including Indigenous experts, and be tasked with meaningfully engaging the public and Indigenous Peoples throughout. This would be consistent with the approach set out in section 95 of the *Impact Assessment Act*, which allows the Minister to establish a committee to conduct a strategic assessment.

**Application to the IA of Coalspur’s Vista Mine**

EDC applauds Minister Wilkinson’s decision to designate Vista coal mine expansion for IA. Given that the IAA requires assessments to consider the outcomes of strategic assessments, it should be made explicit that the strategic assessment of thermal coal will apply to the impact assessment of Coalspur’s Vista mine.